

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
Central Valley Project, California

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES  
AND  
SACRAMENTO COUNTY WATER AGENCY  
PROVIDING FOR PROJECT WATER SERVICE  
FROM THE AMERICAN RIVER DIVISION

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Exhibit A - Map of Contractor's Service Area

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1 UNITED STATES  
2 DEPARTMENT OF THE INTERIOR  
3 BUREAU OF RECLAMATION  
4 Central Valley Project, California

5 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES  
6 AND  
7 SACRAMENTO COUNTY WATER AGENCY  
8 PROVIDING FOR PROJECT WATER SERVICE  
9 FROM THE AMERICAN RIVER DIVISION

10 THIS CONTRACT, made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, in  
11 pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or  
12 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as  
13 amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, June 21,  
14 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended,  
15 November 5, 1990 (104 Stat. 2074), and Title XXXIV of the Act of October 30, 1992 (106 Stat.  
16 4706), all collectively hereinafter referred to as Federal Reclamation law, between THE UNITED  
17 STATES OF AMERICA, hereinafter referred to as the United States, and SACRAMENTO  
18 COUNTY WATER AGENCY, hereinafter referred to as the Contractor, a public agency of the State  
19 of California, duly organized, existing, and acting pursuant to the laws thereof;

20 WITNESSETH, That:

21 EXPLANATORY RECITALS

22 [1<sup>st</sup>] WHEREAS, the United States has constructed and is operating the Central Valley  
23 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for flood

24 control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and  
25 restoration, generation and distribution of electric energy, salinity control, navigation and other  
26 beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and  
27 the San Joaquin River and their tributaries; and

28 [2<sup>nd</sup>] WHEREAS, the United States constructed Folsom Dam and Reservoir,  
29 hereinafter collectively referred to as the American River Division facilities, which will be used  
30 in part for the furnishing of water to the Contractor pursuant to the terms of this Contract; and

31 [3<sup>rd</sup>] WHEREAS, the rights to Project Water were acquired by the United States  
32 pursuant to California law for operation of the Project; and

33 [3.1] WHEREAS, Section 206(b) of P.L. 101-514 (104 Stat. 2074) authorized and  
34 directed the Secretary of the Interior to enter into a municipal and industrial water supply  
35 contract with the Contractor, not to exceed 22,000 acre-feet annually, to meet the immediate  
36 needs of Sacramento County, and as a first phase of a contracting program to meet the long-term  
37 water supply of Sacramento County; and

38 [4<sup>th</sup>] WHEREAS, the Contractor and the United States entered into Contract  
39 No. 6-07-20-W1372, hereinafter referred to as the Existing Contract, which established terms for  
40 the delivery to the Contractor of Central Valley Project Water from the American River Division  
41 from April 8, 1999, through a date determined pursuant to Article 2 therein; and

42 [5<sup>th</sup>] Omitted; and

43 [6<sup>th</sup>] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of  
44 interim and existing long-term Central Valley Project Water service contracts following  
45 completion of appropriate environmental documentation, including a programmatic  
46 environmental impact statement (PEIS) pursuant to the National Environmental Policy Act  
47 (NEPA) analyzing the direct and indirect impacts and benefits of implementing the CVPIA and  
48 the potential renewal of all existing contracts for Project Water; and

49 [6.1] Omitted; and

50 [7<sup>th</sup>] WHEREAS, the United States has completed the PEIS and all other appropriate  
51 environmental review necessary to provide for long-term renewal of the Existing Contract; and

52 [8<sup>th</sup>] WHEREAS, the Contractor has requested the long-term renewal of the Existing  
53 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws  
54 of the State of California, for water service from the Project; and

55 [9<sup>th</sup>] WHEREAS, the United States has determined that the Contractor has fulfilled all  
56 of its obligations under the Existing Contract; and

57 [10<sup>th</sup>] WHEREAS, the Contractor has demonstrated to the satisfaction of the  
58 Contracting Officer that the Contractor has utilized the Project Water supplies available to it for  
59 reasonable and beneficial use and/or has demonstrated projected future demand for water use  
60 such that the Contractor has the capability and expects to utilize fully for reasonable and  
61 beneficial use the quantity of Project Water to be made available to it pursuant to this Contract;  
62 and

63 [11<sup>th</sup>] WHEREAS, water obtained from the Project has been relied upon by urban areas  
64 within California for more than 50 years, and is considered by the Contractor as an essential  
65 portion of its water supply; and

66 [12<sup>th</sup>] WHEREAS, the economies of regions within the Project, including the  
67 Contractor's, depend upon the continued availability of water, including water service from the  
68 Central Valley Project; and

69 [13<sup>th</sup>] WHEREAS, the Secretary intends through coordination, cooperation, and  
70 partnerships to pursue measures to improve water supply, water quality, and reliability of the  
71 Project for all Project purposes; and

72 [13.1] WHEREAS, the Contractor and the water users in its Service Area have improved  
73 and will continue to improve water use efficiency through water conservation, water

74 reclamation, and other Best Management Practices; however, implementing these measures has  
75 reduced and will continue to reduce the ability of the Contractor and the water users in its  
76 Service Area to withstand a Condition of Shortage; and

77 [14<sup>th</sup>] WHEREAS, the mutual goals of the United States and the Contractor include:  
78 to provide for reliable Project Water supplies; to control costs of those supplies; to achieve  
79 repayment of the Project as required by law; to guard reasonably against Project Water  
80 shortages; to achieve a reasonable balance among competing demands for use of Project Water;  
81 and to comply with all applicable environmental statutes, all consistent with the legal obligations  
82 of the United States relative to the Project; and

83 [15<sup>th</sup>] WHEREAS, the parties intend by this Contract to develop a more cooperative  
84 relationship in order to achieve their mutual goals; and

85 [15.1] WHEREAS, the Contractor is a signatory to the Water Forum Agreement, dated  
86 April 24, 2000, which has the co-equal objectives to (1) provide a reliable and safe water supply  
87 for the Sacramento region's economic health and planned development through the year 2030,  
88 and (2) preserve the fishery, wildlife, recreational and aesthetic values of the lower American  
89 River; and

90 [15.2] WHEREAS, the Contracting Officer is in support of the co-equal objectives of the  
91 Water Forum Agreement and intends to work cooperatively with the Contractor to investigate  
92 actions that they could take to implement the objectives of the Water Forum Agreement, which,  
93 if agreed to, would be the subject of a separate agreement between them; and

94 [15.3] WHEREAS, the Contractor has entered into a subcontract with the City of  
95 Folsom, hereinafter referred to as "Subcontractor," for the resale and distribution of up to 7,000  
96 acre-feet of Project Water made available under this Contract to be diverted at Folsom Reservoir  
97 for delivery to the Subcontractor's water treatment plant for use within the Contractor's Service  
98 Area, dated April 25, 2000; and

99 [15.4] WHEREAS, the Contractor's Service Area provided in the Contract includes  
100 areas that on the date of execution of this Contract receive water from a variety of sources,  
101 including, but not limited to, ground water from private wells, surface supplies under privately  
102 held rights, public utilities, public agencies other than the Contractor, water service from the  
103 Contractor provided exclusively through wells operated by the Contractor, and water service  
104 from the Contractor provided through a combination of wells and interim surface supplies; and

105 [15.5] WHEREAS, the Contractor's Service Area provided in this Contract also includes  
106 areas to which Project Water or other surface water may be provided by the Contractor in the  
107 future; and

108 [15.6] WHEREAS, recognizing the physical, legal and jurisdictional circumstances that  
109 exist within the Contractor's Service Area, the parties have agreed to structure this Contract so  
110 that areas within the Contractor's Service Area will become subject to certain terms and  
111 conditions of this Contract at such time as such areas receive water service from the Contractor  
112 consisting of Project Water or other surface water; and

113 [16<sup>th</sup>] WHEREAS, the United States and the Contractor are willing to enter into this  
114 long-term renewal contract pursuant to Federal Reclamation law on the terms and conditions set  
115 forth below;

116 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein  
117 contained, it is hereby mutually agreed by the parties hereto as follows:

118 DEFINITIONS

119 1. When used herein unless otherwise distinctly expressed, or manifestly  
120 incompatible with the intent of the parties as expressed in this Contract, the term:

121 (a) "Calendar Year" shall mean the period January 1 through December 31,  
122 both dates inclusive;

123 (b) "Charges" shall mean the payments required by Federal Reclamation law  
124 in addition to the Rates and Tiered Pricing Component specified in this Contract as determined  
125 annually by the Contracting Officer pursuant to this Contract;

126 (c) "Condition of Shortage" shall mean a condition respecting the Project  
127 during any Year such that the Contracting Officer is unable to deliver sufficient water to meet  
128 the Contract Total;

129 (d) "Contracting Officer" shall mean the Secretary of the Interior's duly  
130 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law  
131 or regulation;

132 (e) "Contract Total" shall mean the maximum amount of water to which the  
133 Contractor is entitled under subdivision (a) of Article 3 of this Contract;

134 (f) "Contractor's Service Area" shall mean the area to which the Contractor is  
135 permitted to provide Project Water under this Contract as described in Exhibit "A" attached  
136 hereto, which may be modified from time to time in accordance with Article 35 of this Contract  
137 without amendment of this Contract. As of the date of this Contract, the Contractor's Service  
138 Area is the area identified on Exhibit A as "Zone 40" and the "City of Folsom East Area";

139 (g) "CVPIA" shall mean the Central Valley Project Improvement Act, Title  
140 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

141 (h-i) Omitted;

142 (j) "Full Cost Rate" shall mean an annual rate, as determined by the  
143 Contracting Officer that shall amortizes the expenditures for construction properly allocable to  
144 the Project Irrigation or M&I functions, as appropriate, of facilities in service including all  
145 (O&M) deficits funded, less payments, over such periods as may be required under Federal  
146 Reclamation law, or applicable contract provisions. Interest will accrue on both the construction  
147 expenditures and funded O&M deficits from October 12, 1982, on costs outstanding at that date,

148 or from the date incurred in the case of costs arising subsequent to October 12, 1982, and shall  
149 be calculated in accordance with subsections 202(3)(B) and (3)(C) of the RRA. The Full-Cost  
150 Rate includes actual operation, maintenance, and replacement costs consistent with Section  
151 426.2 of the Rules and Regulations for the RRA;

152 (k-l) Omitted;

153 (m) "Irrigation Water" shall mean water made available from the Project that  
154 is used primarily in the production of agricultural crops or livestock, including domestic use  
155 incidental thereto, and watering of livestock;

156 (n) Omitted;

157 (o) "Municipal and Industrial (M&I) Water" shall mean Project Water, other  
158 than Irrigation Water, made available to the Contractor. M&I Water shall include water used for  
159 human use and purposes such as the watering of landscaping or pasture for animals (e.g., horses)  
160 which are kept for personal enjoyment or water delivered to land holdings operated in units of  
161 less than five acres unless the Contractor establishes to the satisfaction of the Contracting Officer  
162 that the use of water delivered to any such landholding is a use described in subdivision (m) of  
163 this Article;

164 (p) "M&I Full Cost Water Rate" shall mean the Full Cost Rate applicable to  
165 the delivery of M&I Water;

166 (q) "Operation and Maintenance" or "O&M" shall mean normal and  
167 reasonable care, control, operation, repair, replacement (other than capital replacement), and  
168 maintenance of Project facilities;

169 (r) Omitted;

170 (s) "Project" shall mean the Central Valley Project owned by the United  
171 States and managed by the Department of the Interior, Bureau of Reclamation;

- 172 (t) "Project Contractors" shall mean all parties who have water service  
173 contracts for Project Water from the Project with the United States pursuant to Federal  
174 Reclamation law;
- 175 (u) "Project Water" shall mean all water that is developed, diverted, stored, or  
176 delivered by the Secretary in accordance with the statutes authorizing the Project and in  
177 accordance with the terms and conditions of water rights acquired pursuant to California law;
- 178 (v) "Rates" shall mean the payments determined annually by the Contracting  
179 Officer in accordance with the then-current applicable water ratesetting policies for the Project,  
180 as described in subdivision (a) of Article 7 of this Contract;
- 181 (w) "Recent Historic Average" shall mean the most recent five-year average  
182 of the final forecast of Water Made Available to the Contractor pursuant to this Contract or its  
183 preceding contract(s);
- 184 (x) "Secretary" shall mean the Secretary of the Interior, a duly appointed  
185 successor, or an authorized representative acting pursuant to any authority of the Secretary and  
186 through any agency of the Department of the Interior;
- 187 (y) "Tiered Pricing Component" shall be the incremental amount to be paid  
188 for each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;
- 189 (z) "Water Delivered" or "Delivered Water" shall mean Project Water  
190 diverted for use by the Contractor at the point(s) of delivery approved by the Contracting  
191 Officer;
- 192 (aa) "Water Made Available" shall mean the estimated amount of Project  
193 Water that can be delivered to the Contractor for the upcoming Year as declared by the  
194 Contracting Officer, pursuant to subdivision (a) of Article 4 of this Contract;
- 195 (bb) "Water Scheduled" shall mean Project Water made available to the  
196 Contractor for which times and quantities for delivery have been established by the Contractor

197 and Contracting Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

198 (cc) "Year" shall mean the period from and including March 1 of each  
199 Calendar Year through the last day of February of the following Calendar Year.

200 TERM OF CONTRACT

201 2. (a) This Contract shall be effective March 1, 2005, through February 28,  
202 2045. In the event the Contractor wishes to renew the Contract beyond February 28, 2045, the  
203 Contractor shall submit a request for renewal in writing to the Contracting Officer no later than  
204 two years prior to the date this Contract expires.

205 (b) Omitted.

206 (c) This Contract shall be renewed for successive periods of up ~~to 40~~ years  
207 each, which periods shall be consistent with the then-existing Bureau of Reclamation policy,  
208 under terms and conditions mutually agreeable to the parties and consistent with Federal and  
209 State law. The Contractor shall be afforded the opportunity to comment to the Contracting  
210 Officer on the proposed adoption and application of any revised policy applicable to the delivery  
211 of M&I Water that would limit the term of any subsequent renewal contract with the Contractor  
212 for the furnishing of M&I Water to less than 40 years.

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213 (d) The Contracting Officer shall make a determination ten years after the  
214 date of execution of this Contract, and every five years thereafter during the term of this  
215 Contract, of whether a conversion to a contract under subsection (c)(1) of Section 9 of the  
216 Reclamation Project Act of 1939 can be accomplished. The Contracting Officer anticipates that  
217 during the term of this contract, all authorized Project construction expected to occur will have  
218 occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all  
219 costs that are properly assignable to the Contractor, and agrees further that, at any time after such  
220 allocation is made, and subject to satisfaction of the conditions set out in this subdivision of this  
221 Article, this Contract shall, at the request of the Contractor, be converted to a contract under said

222 subsection (c)(1) of Section 9, subject to applicable Federal law and under stated terms and  
223 conditions mutually agreeable to the Contractor and the Contracting Officer. A condition for  
224 such conversion to occur shall be a determination by the Contracting Officer that, account being  
225 taken of the amount credited to return by the Contractor as provided for under Federal  
226 Reclamation law, the remaining amount of construction costs assignable for ultimate return by  
227 the Contractor can probably be repaid to the United States within the term of a contract under  
228 said subsection (c)(1) of Section 9. If the remaining amount of costs that are properly assignable  
229 to the Contractor cannot be determined during the term of this Contract, the Contracting Officer  
230 shall notify the Contractor, and provide the reason(s) why such a determination could not be  
231 made. Further, the Contracting Officer shall make such a determination as soon thereafter as  
232 possible so as to permit, upon request of the Contractor and satisfaction of the conditions set out  
233 above, conversion to a contract under said subsection (c)(1) of Section 9. In the event such  
234 determination of costs has not been made at a time which allows conversion of this Contract  
235 during the term of this Contract or the Contractor has not requested conversion of this Contract  
236 within such term, the parties shall incorporate in any subsequent renewal contract as described in  
237 subdivision (c) of this Article a provision that carries forth in substantially identical terms the  
238 provisions of this subdivision (d).

239 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

240 3. (a) During each Year, consistent with all applicable State water rights,  
241 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of  
242 this Contract, the Contracting Officer shall make available for delivery to the Contractor 22,000<sup>1</sup>  
243 acre-feet of M&I Water. The quantity of Water Delivered to the Contractor in accordance with  
244 this subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of  
245 this Contract.

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<sup>1</sup> This figure may be increased to 52,000 acre-feet by virtue of a pending assignment of 30,000 acre-feet of water to Contractor by SMUD.

246 (b) Because the capacity of the Project to deliver Project Water has been  
247 constrained in recent years and may be constrained in the future due to many factors including  
248 hydrologic conditions and implementation of Federal and State laws, the likelihood of the  
249 Contractor actually receiving the amount of Water set out in subdivision (a) of this Article in any  
250 given Year is uncertain. The Contracting Officer's modeling referenced in the PEIS projected  
251 that the Contract Total set forth in this Contract will not be available to the Contractor in many  
252 years. During the most recent five years, the Recent Historic Average of Water Made Available  
253 to the Contractor was 22,000 acre-feet. Nothing in subdivision (b) of this Article shall affect the  
254 rights and obligations of the parties under any provision of this Contract.

255 (c) The Contractor shall utilize the Project Water in accordance with all  
256 applicable legal requirements.

257 (d) The Contractor shall make reasonable and beneficial use of all Project  
258 Water or other water furnished pursuant to this Contract. Groundwater recharge programs  
259 (direct, indirect, or in lieu), groundwater banking programs, surface water storage programs, and  
260 other similar programs utilizing Project Water or other water furnished pursuant to this Contract  
261 conducted within the Contractor's Service Area which are consistent with applicable State law  
262 and result in use consistent with Federal Reclamation law will be allowed; Provided, That any  
263 direct recharge program(s) is (are) described in the Contractor's water conservation plan  
264 submitted pursuant to Article 26 of this Contract; Provided, further, That such water  
265 conservation plan demonstrates sufficient lawful uses exist in the Contractor's Service Area so  
266 that using a long-term average, the quantity of Delivered Water is demonstrated to be reasonable  
267 for such uses and in compliance with Federal Reclamation law. Groundwater recharge  
268 programs, groundwater banking programs, surface water storage programs, and other similar

269 programs utilizing Project Water or other water furnished pursuant to this Contract conducted  
270 outside the Contractor's Service Area may be permitted upon written approval of the Contracting  
271 Officer, which approval will be based upon environmental documentation, Project Water rights,  
272 and Project operational concerns. The Contracting Officer will address such concerns in  
273 regulations, policies, or guidelines.

274 (e) The Contractor shall comply with requirements applicable to the  
275 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution  
276 of this Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA),  
277 as amended, that are within the Contractor's legal authority to implement. Nothing herein shall  
278 be construed to prevent the Contractor from challenging or seeking judicial relief in a court of  
279 competent jurisdiction with respect to any biological opinion or other environmental  
280 documentation referred to in this Article.

281 (f) Following the declaration of Water Made Available under Article 4 of this  
282 Contract, the Contracting Officer will make a determination whether Project Water, or other  
283 water available to the Project, can be made available to the Contractor in addition to the Contract  
284 Total under Article 3 of this Contract during the Year without adversely impacting other Project  
285 Contractors. At the request of the Contractor, the Contracting Officer will consult with the  
286 Contractor prior to making such a determination. If the Contracting Officer determines that  
287 Project Water, or other water available to the Project, can be made available to the Contractor,  
288 the Contracting Officer will announce the availability of such water and shall so notify the  
289 Contractor as soon as practical. The Contracting Officer will thereafter meet with the Contractor  
290 and other Project Contractors capable of taking such water to determine the most equitable and  
291 efficient allocation of such water. If the Contractor requests the delivery of any quantity of such  
292 water, the Contracting Officer shall make such water available to the Contractor in accordance  
293 with applicable statutes, regulations, guidelines, and policies.

294 (g) The Contractor may request permission to reschedule for use during the  
295 subsequent Year some or all of the Water Made Available to the Contractor during the current  
296 Year referred to as “carryover.” The Contractor may request permission to use during the  
297 current Year a quantity of Project Water which may be made available by the United States to  
298 the Contractor during the subsequent Year referred to as “preuse.” The Contracting Officer’s  
299 written approval may permit such uses in accordance with applicable statutes, regulations,  
300 guidelines, and policies.

301 (h) The Contractor’s right pursuant to Federal Reclamation law and  
302 applicable State law to the reasonable and beneficial use of Water Delivered pursuant to this  
303 Contract during the term thereof and any subsequent renewal contracts, as described in Article 2  
304 of this Contract, during the terms thereof shall not be disturbed so long as the Contractor shall  
305 fulfill all of its obligations under this Contract and any renewals thereof. Nothing in the  
306 preceding sentence shall affect the Contracting Officer’s ability to impose shortages under  
307 Article 11 or subdivision (b) of Article 12 of this Contract or applicable provisions of any  
308 subsequent renewal contracts.

309 (i) Project Water furnished to the Contractor pursuant to this Contract may be  
310 delivered for purposes other than those described in subdivision (o) of Article 1 of this Contract  
311 upon written approval by the Contracting Officer in accordance with the terms and conditions of  
312 such approval.

313 (j) The Contracting Officer shall make reasonable efforts to protect the water  
314 rights necessary for the Project and to provide the water available under this Contract. The  
315 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the  
316 extent permitted by law, in administrative proceedings related to the Project Water rights;

317 Provided, That the Contracting Officer retains the right to object to the substance of the  
318 Contractor’s position in such a proceeding; Provided further, That in such proceedings the

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319 Contracting Officer shall recognize the Contractor has a legal right under the terms of this  
320 Contract to use Project Water.

321 TIME FOR DELIVERY OF WATER

322 (4) (a) On or about February 20 of each Calendar Year, the Contracting Officer  
323 shall announce the Contracting Officer's expected declaration of the Water Made Available.  
324 Such declaration will be expressed in terms of both Water Made Available and the Recent  
325 Historic Average and will be updated monthly, and more frequently if necessary, based on  
326 then-current operational and hydrologic conditions and a new declaration with changes, if any, to  
327 the Water Made Available will be made. The Contracting Officer shall provide forecasts of  
328 Project operations and the basis of the estimate, with relevant supporting information, upon the  
329 written request of the Contractor. Concurrently with the declaration of the Water Made  
330 Available, the Contracting Officer shall provide the Contractor with the updated Recent Historic  
331 Average.

332 (b) On or before each March 1 and at such other times as necessary, the  
333 Contractor shall submit to the Contracting Officer a written schedule, satisfactory to the  
334 Contracting Officer, showing the monthly quantities of Project Water to be delivered by the  
335 United States to the Contractor pursuant to this Contract for the Year commencing on such  
336 March 1. The Contracting Officer shall use all reasonable means to deliver Project Water  
337 according to the approved schedule for the Year commencing on such March 1.

338 (c) The Contractor shall not schedule Project Water in excess of the quantity  
339 of Project Water the Contractor intends to put to reasonable and beneficial use within the  
340 Contractor's Service Area or to sell, transfer or exchange pursuant to Article 9 of this Contract  
341 during any Year.

342 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this  
343 Contract, the United States shall deliver Project Water to the Contractor in accordance with the

344 initial schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any  
345 written revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable  
346 time prior to the date(s) on which the requested change(s) is/are to be implemented.

347 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

348 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this  
349 Contract shall be delivered to the Contractor at the Contractor's option: (i) at the intake for the  
350 Sacramento River Water Treatment Plant owned by the City of Sacramento; (ii) at an intake on  
351 the Sacramento River at or near river mile 46.5; (iii) at an intake on the American River at or  
352 near the confluence of the American and Sacramento Rivers; (iv) for Subcontractor's use,  
353 directly from Folsom Reservoir via the pipeline through Folsom Dam which terminates one  
354 hundred feet southeasterly from the easterly right of way line of the Green Valley Road at  
355 Station 102+67.88 of the Natoma Canal Relocation; or (v) and any additional point or points of  
356 delivery either on Project facilities or another location or locations mutually agreed to in writing  
357 by the Contracting Officer and the Contractor.

358 (b) Omitted.

359 (c) The Contractor shall not deliver Project Water to land outside the  
360 Contractor's Service Area unless approved in advance by the Contracting Officer.

361 (d) All Water Delivered to the Contractor pursuant to this Contract shall be  
362 measured and recorded with equipment furnished, installed, operated, and maintained by the  
363 United States, or other appropriate entity as designated by the Contracting Officer at the point or  
364 points of delivery established pursuant to subdivision (a) of this Article; Provided, That if the  
365 Project Water delivered pursuant to this Contract is diverted at a location or in a manner so as to  
366 be commingled with water diverted by any other entity, the point of measurement for Project  
367 Water delivered to the Contractor shall be a location at which Project Water diverted for  
368 Contractor's use can be measured separately from water diverted by any such entity or entities.

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369 Upon the request of either party to this Contract, the Contracting Officer shall investigate, or  
370 cause to be investigated, the accuracy of such measurements and shall take any necessary steps  
371 to adjust any errors appearing therein. For any period of time when accurate measurements have  
372 not been made, the Contracting Officer shall consult with the Contractor prior to making a final  
373 determination of the quantity delivered for that period of time.

374 (e) The Contracting Officer shall not be responsible for the control, carriage,  
375 handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to this  
376 Contract beyond the delivery points specified in subdivision (a) of this Article. The Contractor  
377 shall indemnify the United States, its officers, employees, agents, and assigns on account of  
378 damage or claim of damage of any nature whatsoever for which there is legal responsibility,  
379 including property damage, personal injury, or death arising out of or connected with the control,  
380 carriage, handling, use, disposal, or distribution of such Water Delivered beyond such delivery  
381 points, except for any damage or claim arising out of: (i) acts or omissions of the Contracting  
382 Officer or any of its officers, employees, agents, or assigns with the intent of creating the  
383 situation resulting in any damage or claim; (ii) willful misconduct of the Contracting Officer or  
384 any of its officers, employees, agents, or assigns; (iii) negligence of the Contracting Officer or  
385 any of its officers, employees, agents, or assigns; or (iv) damage or claims resulting from a  
386 malfunction of facilities owned and/or operated by the United States.

387 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

388 6. (a) Within three Years of the effective date of this Contract, the Contractor  
389 shall ensure that, unless the Contractor establishes an alternative measurement program  
390 satisfactory to the Contracting Officer, all surface water delivered by the Contractor within the  
391 Contractor's Service Area for M&I purposes is measured at each M&I service connection. The  
392 water measuring devices or water measuring methods of comparable effectiveness must be  
393 acceptable to the Contracting Officer. The Contractor shall be responsible for installing,

394 operating, and maintaining and repairing all such measuring devices and implementing all such  
395 water measuring methods at no cost to the United States. The Contractor shall use the  
396 information obtained from such water measuring devices or water measuring methods to ensure  
397 its proper management of the water, to bill water users for water delivered by the Contractor;  
398 and, if applicable, to record water delivered for M&I purposes by customer class as defined in  
399 the Contractor's water conservation plan provided for in Article 26 of this Contract. Nothing  
400 herein contained, however, shall preclude the Contractor from establishing and collecting any  
401 charges, assessments, or other revenues authorized by California law. The Contractor shall  
402 include a summary of all its annual surface water deliveries in the annual report described in  
403 subdivision (c) of Article 26.

404 (b) To the extent the information has not otherwise been provided, upon  
405 execution of this Contract, the Contractor shall provide to the Contracting Officer a written  
406 report describing the measurement devices or water measuring methods being used or to be used  
407 to implement subdivision (a) of this Article and identifying the M&I service connections or  
408 alternative measurement programs approved by the Contracting Officer, at which such  
409 measurement devices or water measuring methods are being used, and, if applicable, identifying  
410 the locations at which such devices and/or methods are not yet being used including a time  
411 schedule for implementation at such locations. The Contracting Officer shall advise the  
412 Contractor in writing within 60 days as to the adequacy, and necessary modifications, if any, of  
413 the measuring devices or water measuring methods identified in the Contractor's report and if  
414 the Contracting Officer does not respond in such time, they shall be deemed adequate. If the  
415 Contracting Officer notifies the Contractor that the measuring devices or methods are  
416 inadequate, the parties shall within 60 days following the Contracting Officer's response,  
417 commence to negotiate in good faith how, and the earliest practicable date by which, the  
418 Contractor shall

419 modify said measuring devices and/or measuring methods as required by the Contracting Officer  
420 to ensure compliance with subdivision (a) of this Article.

421 (c) All new surface water delivery systems installed within the Contractor's  
422 Service Area after the effective date of this Contract shall also comply with the measurement  
423 provisions described in subdivision (a) of this Article.

424 (d) The Contractor shall inform the Contracting Officer and the State of  
425 California in writing by April 30 of each Year of the monthly volume of surface water delivered  
426 within the Contractor's Service Area during the previous Year.

427 (e) The Contractor shall inform the Contracting Officer on or before the 20th  
428 calendar day of each month of the quantity of M&I Water taken during the preceding month.

429 RATES AND METHOD OF PAYMENT FOR WATER

430 7. (a) The Contractor shall pay the United States as provided in this Article for  
431 all Delivered Water at Rates, Charges, and the Tiered Pricing Component established in  
432 accordance with: (i) the Secretary's then-existing ratesetting policy for M&I Water. Such  
433 ratesetting policies shall be amended, modified, or superseded only through a public notice and  
434 comment procedure; (ii) applicable Federal Reclamation law and associated rules and  
435 regulations, or policies; and (iii) other applicable provisions of this Contract. Payments shall be  
436 made by cash transaction, electronic funds transfer, or any other mechanism as may be agreed to  
437 in writing by the Contractor and the Contracting Officer. The Rates, Charges, and Tiered Pricing  
438 Component applicable to the Contractor upon execution of this Contract are set forth in Exhibit  
439 "B," as may be revised annually.

440 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges,  
441 and Tiered Pricing Component as follows:

442 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall

443 provide the Contractor an estimate of the Charges for Project Water that will be applied to the  
444 period October 1, of the current Calendar Year, through September 30, of the following Calendar  
445 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months  
446 to review and comment on such estimates. On or before September 15 of each Calendar Year,  
447 the Contracting Officer shall notify the Contractor in writing of the Charges to be in effect  
448 during the period October 1 of the current Calendar Year, through September 30, of the  
449 following Calendar Year, and such notification shall revise Exhibit "B."

450 (2) Prior to October 1 of each Calendar Year, the Contracting Officer  
451 shall make available to the Contractor an estimate of the Rates and Tiered Pricing Component  
452 for Project Water for the following Year and the computations and cost allocations upon which  
453 those Rates are based. The Contractor shall be allowed not less than two months to review and  
454 comment on such computations and cost allocations. By December 31 of each Calendar Year,  
455 the Contracting Officer shall provide the Contractor with the final Rates and Tiered Pricing  
456 Component to be in effect for the upcoming Year, and such notification shall revise Exhibit "B."

457 (c) At the time the Contractor submits the initial schedule for the delivery of  
458 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the  
459 Contractor shall make an advance payment to the United States equal to the total amount payable  
460 pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water  
461 scheduled to be delivered pursuant to this Contract during the first two calendar months of the  
462 Year. Before the end of the first month and before the end of each calendar month thereafter, the  
463 Contractor shall make an advance payment to the United States, at the Rate(s) set under  
464 subdivision (a) of this Article, for the Water Scheduled to be delivered pursuant to this Contract  
465 during the second month immediately following. Adjustments between advance payments for  
466 Water Scheduled and payments at Rates due for Water Delivered shall be made before the end of  
467 the following month; Provided, That any revised schedule submitted by the Contractor pursuant

468 to Article 4 of this Contract which increases the amount of Water Delivered pursuant to this  
469 Contract during any month shall be accompanied with appropriate advance payment, at the Rates  
470 then in effect, to assure that Project Water is not delivered to the Contractor in advance of such  
471 payment. In any month in which the quantity of Water Delivered to the Contractor pursuant to  
472 this Contract equals the quantity of Water Scheduled and paid for by the Contractor, no  
473 additional Project Water shall be delivered to the Contractor unless and until an advance  
474 payment at the Rates then in effect for such additional Project Water is made. Final adjustment  
475 between the advance payments for the Water Scheduled and payments for the quantities of  
476 Water Delivered during each Year pursuant to this Contract shall be made as soon as practicable  
477 but no later than April 30th of the following Year, or 60 days after the delivery of Project Water  
478 carried over under subdivision (g) of Article 3 of this Contract if such water is not delivered by  
479 the last day of February.

480 (d) The Contractor shall also make a payment in addition to the Rate(s) in  
481 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the  
482 appropriate Tiered Pricing Component then in effect, before the end of the month following the  
483 month of delivery. The payments shall be consistent with the quantities of M&I Water  
484 Delivered as shown in the water delivery report for the subject month prepared by the  
485 Contracting Officer. The water delivery report shall be deemed a bill for the payment of Charges  
486 and the applicable Tiered Pricing Component for Water Delivered. Adjustment for overpayment  
487 or underpayment of Charges shall be made through the adjustment of payments due to the United  
488 States for Charges for the next month. Any amount to be paid for past due payment of Charges  
489 and the Tiered Pricing Component shall be computed pursuant to Article 20 of this Contract.

490 (e) The Contractor shall pay for any Water Delivered under subdivision (a),  
491 (f), or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to  
492 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting

493 policies; Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this  
494 Contract shall be no more than the otherwise applicable Rate for M&I Water under subdivision  
495 (a) of this Article.

496 (f) Payments to be made by the Contractor to the United States under this  
497 Contract may be paid from any revenues available to the Contractor.

498 (g) All revenues received by the United States from the Contractor relating to  
499 the delivery of Project Water or the delivery of non-Project water through Project facilities shall  
500 be allocated and applied in accordance with Federal Reclamation law and the associated rules or  
501 regulations, and the then current Project ratesetting policy for M&I Water.

502 (h) The Contracting Officer shall keep its accounts pertaining to the  
503 administration of the financial terms and conditions of its long-term contracts, in accordance  
504 with applicable Federal standards, so as to reflect the application of Project costs and revenues.  
505 The Contracting Officer shall, each Year upon request of the Contractor, provide to the  
506 Contractor a detailed accounting of all Project and Contractor expense allocations, the  
507 disposition of all Project and Contractor revenues, and a summary of all water delivery  
508 information. The Contracting Officer and the Contractor shall enter into good faith negotiations  
509 to resolve any discrepancies or disputes relating to accountings, reports, or information.

510 (i) The parties acknowledge and agree that the efficient administration of this  
511 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,  
512 policies, and procedures used for establishing Rates, Charges, and Tiered Pricing Components,  
513 and/or for making and allocating payments, other than those set forth in this Article may be in  
514 the mutual best interest of the parties, it is expressly agreed that the parties may enter into  
515 agreements to modify the mechanisms, policies, and procedures for any of those purposes while  
516 this Contract is in effect without amending this Contract.

517 (j) (1) Beginning at such time as deliveries of Project Water in a Year

518 exceed 80 percent of the Contract Total, then before the end of the month following the month of  
519 delivery the Contractor shall make an additional payment to the United States equal to the  
520 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water  
521 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of  
522 the Contract Total, shall equal one-half of the difference between the Rate established under  
523 subdivision (a) of this Article and the M&I Full Cost Water Rate. The Tiered Pricing  
524 Component for the amount of Water Delivered which exceeds 90 percent of the Contract Total  
525 shall equal the difference between (i) the Rate established under subdivision (a) of this Article  
526 and (ii) the M&I Full Cost Water Rate.

527 (2) Omitted.

528 (3) For purposes of determining the applicability of the Tiered Pricing  
529 Components pursuant to this Article, Water Delivered shall include Project Water that the  
530 Contractor transfers to others but shall not include Project Water transferred to the Contractor,  
531 nor shall it include the additional water provided to the Contractor under the provisions of  
532 subdivision (f) of Article 3 of this Contract.

Deleted: .

533 (k) For the term of this Contract, Rates under the respective ratesetting  
534 policies will be established to recover only reimbursable O&M (including any deficits) and  
535 capital costs of the Project, as those terms are used in the then-current Project ratesetting  
536 policies, and interest, where appropriate, except in instances where a minimum Rate is applicable  
537 in accordance with the relevant Project ratesetting policy. Changes of significance in practices  
538 which implement the Contracting Officer's ratesetting policies will not be implemented until the  
539 Contracting Officer has provided the Contractor an opportunity to discuss the nature, need, and  
540 impact of the proposed change.

541 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the  
542 CVPIA, the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates

543 adjusted upward or downward to reflect the changed costs, if any, incurred by the Contracting  
544 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in  
545 accordance with the then-applicable Project ratesetting policy.

546 (m) Omitted.

547 (n) With respect to the Rates for M&I Water the Contractor asserts that it is  
548 not legally obligated to pay any Project deficits claimed by the United States to have accrued as  
549 of the date of this Contract or deficit- related interest charges thereon. By entering into this  
550 Contract, the Contractor does not waive any legal rights or remedies that it may have with  
551 respect to such disputed issues. Notwithstanding the execution of this Contract, and payments  
552 made hereunder, the Contractor may challenge in the appropriate administrative or judicial  
553 forums:

554 (1) the existence, computation, or imposition of any deficit charges accruing during the term of  
555 the Existing Contract or any preceding interim renewal contracts, if applicable; (2) interest  
556 accruing on any such deficits; (3) the inclusion of any such deficit charges or interest in the  
557 Rates; (4) the application by the United States of payments made by the Contractor under its  
558 Existing Contract and any preceding interim renewal contracts, if applicable; and (5) the  
559 application of such payments in the Rates. The Contracting Officer agrees that the Contractor  
560 shall be entitled to the benefit of any administrative or judicial ruling in favor of any other  
561 Project M&I contractor on any of these issues, and credits for payments heretofore made,  
562 provided that, the basis for such ruling is applicable to the Contractor.

563 (o) The Contractor and the Contracting Officer concur that, as of the effective  
564 date of this Contract, the Contractor has no interest bearing O&M deficits and shall have no  
565 further liability therefore.<sup>2</sup>

566 8. Omitted.

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<sup>2</sup> This paragraph may be changed to reflect a deficit by virtue of a pending assignment of 30,000 acre-feet of water to Contractor by SMUD.

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SALES, TRANSFERS, OR EXCHANGES OF WATER

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9. (a) The right to receive Project Water provided for in this Contract may be sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of California if such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this Contract may take place without the prior written approval of the Contracting Officer, except as provided for in subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be approved absent all appropriate environmental documentation, including but not limited to documents prepared pursuant to the NEPA and ESA. Such environmental documentation should include, as appropriate, an analysis of groundwater impacts and economic and social effects, including environmental justice, of the proposed water transfers on both the transferor and transferee.

(b) In order to facilitate efficient water management, among Project Contractors located within the same geographical area, by means of water transfers and to allow the Contractor to participate in an accelerated water transfer program during the term of this Contract, the Contracting Officer shall prepare, as appropriate, all necessary environmental documentation including, but not limited to, documents prepared pursuant to NEPA and ESA analyzing annual transfers within such geographical areas, and the Contracting Officer shall determine whether such transfers comply with applicable law. Following the completion of the environmental documentation, such transfers addressed in such documentation shall be conducted with advance notice to the Contracting Officer, but shall not require prior written approval by the Contracting Officer. Such environmental documentation and the Contracting Officer's compliance determination shall be reviewed every five years and updated, as

592 necessary, prior to the expiration of the then-existing five-year period. All subsequent  
593 environmental

594 documentation shall include an alternative to evaluate not less than the quantity of Project Water  
595 historically transferred within the same geographical area.

596 (c) For a water transfer to qualify under subdivision (b) of this Article, such  
597 water transfer must: (i) be for irrigation purposes for lands irrigated within the previous three  
598 years, or to be delivered to established wildlife refuges, groundwater basins or for M&I use or  
599 for fish and wildlife purposes; (ii) occur within a single Year; (iii) occur between a willing seller  
600 and a willing buyer; (iv) convey water through existing Project facilities with no new  
601 construction or modifications to Project facilities and be between existing Project Contractors  
602 and/or the Contractor and the United States, Department of the Interior; and (v) comply with all  
603 applicable Federal, State, and local or tribal laws and requirements imposed for protection of the  
604 environment and Indian Trust Assets, as defined under Federal law. Such water transfers must  
605 not lead to land conversion.

606 (d) Solely for the purpose of determining whether Section 3405(a)(1)(M) of  
607 the CVPIA applies to the Contractor as a transferor or transferee of Project Water, the  
608 Contracting Officer acknowledges that the Contractor is within a county, watershed or other area  
609 of origin, as those terms are utilized under California law, of water that constitutes the natural  
610 flow of the American River and its tributaries above the confluence of the American and  
611 Sacramento Rivers.

612 APPLICATION OF PAYMENTS AND ADJUSTMENTS

613 10. (a) The amount of any overpayment by the Contractor of the Contractor's  
614 O&M, capital, and deficit (if any) obligations for the Year shall be applied first to any current  
615 liabilities of the Contractor arising out of this Contract then due and payable. Overpayments of

616 more than \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount  
617 of such overpayment, at the option of the Contractor, may be credited against amounts to become  
618 due to the United States by the Contractor. With respect to overpayment, such refund or  
619 adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to  
620 have the right to the use of any of the Project Water supply provided for herein. All credits and  
621 refunds of overpayments shall be made within 30 days of the Contracting Officer obtaining  
622 direction as to how to credit or refund such overpayment in response to the notice to the  
623 Contractor that it has finalized the accounts for the Year in which the overpayment was made.

624 (b) All advances for miscellaneous costs incurred for work requested by the  
625 Contractor pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs  
626 when the work has been completed. If the advances exceed the actual costs incurred, the  
627 difference will be refunded to the Contractor. If the actual costs exceed the Contractor's  
628 advances, the Contractor will be billed for the additional costs pursuant to Article 25.

629 TEMPORARY REDUCTIONS--RETURN FLOWS

630 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the  
631 requirements of Federal law and (ii) the obligations of the United States under existing contracts,  
632 or renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall  
633 make all reasonable efforts to optimize Project Water deliveries to the Contractor as provided in  
634 this Contract.

635 (b) The Contracting Officer may temporarily discontinue or reduce the  
636 quantity of Water Delivered to the Contractor as herein provided for the purposes of  
637 investigation, inspection, maintenance, repair, or replacement of any of the Project facilities or  
638 any part thereof necessary for the delivery of Project Water to the Contractor, but so far as  
639 feasible the Contracting Officer will give the Contractor due notice in advance of such temporary  
640 discontinuance or reduction, except in case of emergency, in which case no notice need be given;

641 Provided, That the United States shall use its best efforts to avoid any discontinuance or  
642 reduction in such service. Upon resumption of service after such reduction or discontinuance,  
643 and if requested by the Contractor, the United States will, if possible, deliver the quantity of  
644 Project Water which would have been delivered hereunder in the absence of such discontinuance  
645 or reduction.

646 (c) The United States reserves the right to all seepage and return flow water  
647 derived from Water Delivered to the Contractor hereunder which escapes or is discharged  
648 beyond the Contractor's Service Area; Provided, That this shall not be construed as claiming for  
649 the United States any right to seepage or return flow being put to reasonable and beneficial use  
650 pursuant to this Contract within the Contractor's Service Area by the Contractor or those  
651 claiming by, through, or under the Contractor.

652 CONSTRAINTS ON THE AVAILABILITY OF WATER

653 12. (a) In its operation of the Project, the Contracting Officer will use all  
654 reasonable means to guard against a Condition of Shortage in the quantity of water to be made  
655 available to the Contractor pursuant to this Contract. In the event the Contracting Officer  
656 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the  
657 Contractor of said determination as soon as practicable.

658 (b) If there is a Condition of Shortage because of errors in physical operations  
659 of the Project, drought, other physical causes beyond the control of the Contracting Officer or  
660 actions taken by the Contracting Officer to meet legal obligations then, except as provided in  
661 subdivision (a) of Article 18 of this Contract, no liability shall accrue against the United States or  
662 any of its officers, agents, or employees for any damage, direct or indirect, arising therefrom.

663 (c) Omitted.

664 (d) Project Water furnished under this Contract will be allocated in  
665 accordance with the then-existing Project M&I Water Shortage Policy. Such policy shall be

666 amended, modified, or superseded only through a public notice and comment procedure.

667 (e) By entering into this Contract, the Contractor does not waive any legal rights or  
668 remedies it may have to file or participate in any administrative or judicial proceeding contesting  
669 (i) the sufficiency of the manner in which any Project M&I Water Shortage Policy adopted after  
670 the effective date of this Contract was promulgated; (ii) the substance of such a policy; or (iii)  
671 the applicability of such a policy. By agreeing to the foregoing, the Contracting Officer does not  
672 waive any legal defenses or remedies that it may then have to assert in such a proceeding.

673 13. Omitted.

674 RULES AND REGULATIONS

675 14. The parties agree that the delivery of M&I water or use of Federal facilities  
676 pursuant to this Contract is subject to the applicable provisions of Federal Reclamation law and  
677 any applicable rules and regulations promulgated by the Secretary of the Interior under such law.

678 WATER AND AIR POLLUTION CONTROL

679 15. The Contractor, in carrying out this Contract, shall comply with all applicable  
680 water and air pollution laws and regulations of the United States and the State of California, and  
681 shall obtain all required permits or licenses from the appropriate Federal, State, or local  
682 authorities.

683 QUALITY OF WATER

684 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant  
685 to this Contract shall be operated and maintained to enable the United States to deliver Project  
686 Water to the Contractor in accordance with the water quality standards specified in subsection  
687 2(b) of the Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of  
688 October 27, 1986 (100 Stat. 3050), or other existing Federal laws. The United States is under no  
689 obligation to construct or furnish water treatment facilities to maintain or to improve the quality

690 of Water Delivered to the Contractor pursuant to this Contract. The United States does not  
691 warrant the quality of Water Delivered to the Contractor pursuant to this Contract.

692 (b) The O&M of Project facilities shall be performed in such manner as is practicable  
693 to maintain the quality of raw water made available through such facilities at the highest level  
694 reasonably attainable as determined by the Contracting Officer.

695 WATER ACQUIRED BY THE CONTRACTOR  
696 OTHER THAN FROM THE UNITED STATES

697 17. (a) Omitted.

698 (b) Water or water rights now owned or hereafter acquired by the Contractor,  
699 other than from the United States may be stored, conveyed and/or diverted through Project  
700 facilities, subject to the completion of appropriate environmental documentation, with the  
701 approval of the Contracting Officer and the execution of any contract determined by the  
702 Contracting Officer to be necessary, consistent with the following provisions:

703 (1) The Contractor may introduce non-Project water into Project  
704 facilities and deliver said water to lands within the Contractor's Service Area, subject to payment  
705 to the United States of an appropriate rate as determined by the applicable Project ratesetting  
706 policy and the Project use power policy, if such Project use power policy is applicable, each as  
707 amended, modified or superseded from time to time.

708 (2) Delivery of such non-Project water in and through Project facilities  
709 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project  
710 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water  
711 available to other Project Contractors; (iii) interfere with the delivery of contractual water  
712 entitlements to any other Project Contractors; or (iv) interfere with the physical maintenance of  
713 the Project facilities; Provided, that nothing in this Article is intended to preclude the United  
714 States from passing the Contractor's water rights water through Project storage facilities to the

715 extent required to satisfy the Contractor's water rights that are senior to those of the Project  
716 under the applicable provisions of California water law.

717 (3) The United States shall not be responsible for control, care or  
718 distribution of the non-Project water before it is introduced into or after it is delivered from the  
719 Project facilities. The Contractor hereby releases and agrees to defend and indemnify the United  
720 States and their respective officers, agents, and employees, from any claim for damage to  
721 persons or property, direct or indirect, resulting from the acts of the Contractor, its officers',  
722 employees', agents' or assigns', acts in (i) extracting or diverting non-Project water from any  
723 source, or (ii) diverting such non-Project water into Project facilities.

724 (4) Diversion of such non-Project water into Project facilities shall be  
725 consistent with all applicable laws, and if involving groundwater, consistent with any applicable  
726 groundwater management plan applicable to the Contractor for the area from which it was  
727 extracted.

728 (5) After Project purposes are met, as determined by the Contracting  
729 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity  
730 of the facilities declared to be available by the Contracting Officer for conveyance and  
731 transportation of non-Project water prior to any such remaining capacity being made available to  
732 non-Project Contractors.

733 OPINIONS AND DETERMINATIONS

734 18. (a) Where the terms of this Contract provide for actions to be based upon the  
735 opinion or determination of either party to this Contract, said terms shall not be construed as  
736 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or  
737 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly  
738 reserve the right to seek relief from and appropriate adjustment for any such arbitrary,

739 capricious, or unreasonable opinion or determination. Each opinion or determination by either  
740 party shall be provided in a timely manner. Nothing in subdivision (a) of Article 18 of this  
741 Contract is intended to or shall affect or alter the standard of judicial review applicable under  
742 Federal law to any opinion or determination implementing a specific provision of Federal law  
743 embodied in statute or regulation.

744 (b) The Contracting Officer shall have the right to make determinations  
745 necessary to administer this Contract that are consistent with the provisions of this Contract, the  
746 laws of the United States and of the State of California, and the rules and regulations  
747 promulgated by the Secretary of the Interior. Such determinations shall be made in consultation  
748 with the Contractor to the extent reasonably practicable.

749 COORDINATION AND COOPERATION

750 19. (a) In order to further their mutual goals and objectives, the Contracting  
751 Officer and the Contractor shall communicate, coordinate, and cooperate with each other, and  
752 with other affected Project Contractors, in order to improve the operation and management of the  
753 Project. The communication, coordination, and cooperation regarding operations and  
754 management shall include, but not be limited to, any action which will or may materially affect  
755 the quantity or quality of Project Water supply, the allocation of Project Water supply, and  
756 Project financial matters including, but not limited to, budget issues. The communication,  
757 coordination, and cooperation provided for hereunder shall extend to all provisions of this  
758 Contract. Each party shall retain exclusive decision making authority for all actions, opinion,  
759 and determinations to be made by the respective party.

760 (b) Within 120 days following the effective date of this Contract, the  
761 Contractor, other affected Project Contractors, and the Contracting Officer shall arrange to meet  
762 with interested Project Contractors to develop a mutually agreeable, written Project-wide  
763 process, which may be amended as necessary separate and apart from this Contract. The goal of

764 this process shall be to provide, to the extent practicable, the means of mutual communication  
765 and interaction regarding significant decisions concerning Project operation and management on  
766 a real-time basis.

767 (c) In light of the factors referred to in subdivision (b) of Article 3 of this  
768 Contract, it is the intent of the Secretary to improve water supply reliability. To carry out this  
769 intent:

770 (1) The Contracting Officer will, at the request of the Contractor,  
771 assist in the development of integrated resource management plans for the Contractor. Further,  
772 the Contracting Officer will, as appropriate, seek authorizations for implementation of  
773 partnerships to improve water supply, water quality, and reliability.

774 (2) The Secretary will, as appropriate, pursue program and project  
775 implementation and authorization in coordination with Project Contractors to improve the water  
776 supply, water quality, and reliability of the Project for all Project purposes.

777 (3) The Secretary will coordinate with Project Contractors and the  
778 State of California to seek improved water resource management.

779 (4) The Secretary will coordinate actions of agencies within the  
780 Department of the Interior that may impact the availability of water for Project purposes.

781 (5) The Contracting Officer shall periodically, but not less than  
782 annually, hold division level meetings to discuss Project operations, division level water  
783 management activities, and other issues as appropriate.

784 (d) Without limiting the contractual obligations of the Contracting Officer  
785 under the other Articles of this Contract, nothing in this Article shall be construed to limit or  
786 constrain the Contracting Officer's ability to communicate, coordinate, and cooperate with the  
787 Contractor or other interested stakeholders or to make decisions in a timely fashion as needed to  
788 protect health, safety, or the physical integrity of structures or facilities.

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CHARGES FOR DELINQUENT PAYMENTS

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20. (a) The Contractor shall be subject to interest, administrative and penalty charges on delinquent installments or payments. When a payment is not received by the due date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes sixty days delinquent, the Contractor shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent ninety days or more, the Contractor shall pay an additional penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the Contractor shall pay any fees incurred for debt collection services associated with a delinquent payment.

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(b) The interest charge rate shall be the greater of the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of one-half of one percent per month prescribed by Section 6 of the Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and remain fixed for the duration of the delinquent period.

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(c) When a partial payment on a delinquent account is received, the amount received shall be applied, first to the penalty, second to the administrative charges, third to the accrued interest, and finally to the overdue payment.

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EQUAL OPPORTUNITY

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21. During the performance of this Contract, the Contractor agrees as follows:

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(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

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(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without discrimination because of race, color, religion, sex, or national origin.

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(c) The Contractor will send to each labor union or representative of workers

824 with which it has a collective bargaining agreement or other contract or understanding, a notice,  
825 to be provided by the Contracting Officer, advising the said labor union or workers'  
826 representative of the Contractor's commitments under Section 202 of Executive Order 11246 of  
827 September 24, 1965, and shall post copies of the notice in conspicuous places available to  
828 employees and applicants for employment.

829 (d) The Contractor will comply with all provisions of Executive Order  
830 No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders  
831 of the Secretary of Labor.

832 (e) The Contractor will furnish all information and reports required by said  
833 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or  
834 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting  
835 Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with  
836 such rules, regulations, and orders.

837 (f) In the event of the Contractor's noncompliance with the nondiscrimination  
838 clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be  
839 canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared  
840 ineligible for further Government contracts in accordance with procedures authorized in said  
841 amended Executive Order, and such other sanctions may be imposed and remedies invoked as  
842 provided in said Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as  
843 otherwise provided by law.

844 (g) The Contractor will include the provisions of paragraphs (a) through (g) in  
845 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the  
846 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such  
847 provisions will be binding upon each subcontractor or vendor. The Contractor will take such  
848 action with respect to any subcontract or purchase order as may be directed by the Secretary of  
849 Labor as a means of enforcing such provisions, including sanctions for noncompliance:  
850 Provided, however, That in the event the Contractor becomes involved in, or is threatened with,  
851 litigation with a subcontractor or vendor as a result of such direction, the Contractor may request  
852 the United States to enter into such litigation to protect the interests of the United States.

853 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

854 22. (a) The obligation of the Contractor to pay the United States as provided in  
855 this Contract is a general obligation of the Contractor notwithstanding the manner in which the  
856 obligation may be distributed among the Contractor's water users and notwithstanding the default  
857 of individual water users in their obligations to the Contractor.

858 (b) The payment of charges becoming due hereunder is a condition precedent  
859 to receiving benefits under this Contract. The United States shall not make water available to the  
860 Contractor through Project facilities during any period in which the Contractor may be in arrears

861 in the advance payment of water rates due the United States. The Contractor shall not furnish  
862 water made available pursuant to this Contract for lands or parties which are in arrears in the  
863 advance payment of water rates levied or established by the Contractor.

864 (c) With respect to subdivision (b) of this Article, the Contractor shall have  
865 no obligation to require advance payment for water rates which it levies.

866 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

867 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964  
868 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the  
869 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights  
870 laws, as well as with their respective implementing regulations and guidelines imposed by the  
871 U.S. Department of the Interior and/or Bureau of Reclamation.

872 (b) These statutes require that no person in the United States shall, on the  
873 grounds of race, color, national origin, handicap, or age, be excluded from participation in, be  
874 denied the benefits of, or be otherwise subjected to discrimination under any program or activity  
875 receiving financial assistance from the Bureau of Reclamation. By executing this Contract, the  
876 Contractor agrees to immediately take any measures necessary to implement this obligation,  
877 including permitting officials of the United States to inspect premises, programs, and documents.

878 (c) The Contractor makes this agreement in consideration of and for the  
879 purpose of obtaining any and all Federal grants, loans, contracts, property discounts, or other  
880 Federal financial assistance extended after the date hereof to the Contractor by the Bureau of  
881 Reclamation, including installment payments after such date on account of arrangements for  
882 Federal financial assistance which were approved before such date. The Contractor recognizes  
883 and agrees that such Federal assistance will be extended in reliance on the representations and  
884 agreements made in this Article, and that the United States reserves the right to seek judicial  
885 enforcement thereof.

886 24. Omitted.

887 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

888 25. In addition to all other payments to be made by the Contractor pursuant to this  
889 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and  
890 detailed statement submitted by the Contracting Officer to the Contractor for such specific items  
891 of direct cost incurred by the United States for work requested by the Contractor associated with

892 this Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies  
893 and procedures. All such amounts referred to in this Article shall not exceed the amount agreed

894 to in writing in advance by the Contractor. This Article shall not apply to costs for routine  
895 contract administration.

896 WATER CONSERVATION

897 26. (a) Prior to the delivery of water provided from or conveyed through  
898 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor  
899 shall be implementing an effective water conservation and efficiency program based on the  
900 Contractor's water conservation plan that has been determined by the Contracting Officer to meet  
901 the conservation and efficiency criteria for evaluating water conservation plans established under  
902 Federal law. The water conservation and efficiency program shall contain definite water  
903 conservation objectives, appropriate economically feasible water conservation measures, and  
904 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this  
905 Contract shall be contingent upon the Contractor's continued implementation of such water  
906 conservation program. In the event the Contractor's water conservation plan or any revised  
907 water conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have  
908 not yet been determined by the Contracting Officer to meet such criteria, due to circumstances  
909 which the Contracting Officer determines are beyond the control of the Contractor, water  
910 deliveries shall be made under this Contract so long as the Contractor diligently works with the  
911 Contracting Officer to obtain such determination at the earliest practicable date, and thereafter  
912 the Contractor immediately begins implementing its water conservation and efficiency program  
913 in accordance with the time schedules therein.

914 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of  
915 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall

916 implement the Best Management Practices identified by the time frames issued by the California  
917 Urban Water Conservation Council for such M&I Water unless any such practice is determined  
918 by the Contracting Officer to be inappropriate for the Contractor.

919 (c) The Contractor shall submit to the Contracting Officer a report on the  
920 status of its implementation of the water conservation plan on the reporting dates specified in the  
921 then existing conservation and efficiency criteria established under Federal law.

922 (d) At five-year intervals, the Contractor shall revise its water conservation  
923 plan to reflect the then current conservation and efficiency criteria for evaluating water  
924 conservation plans established under Federal law and submit such revised water management  
925 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then  
926 determine if the water conservation plan meets Reclamation's then current conservation and  
927 efficiency criteria for evaluating water conservation plans established under Federal law.

928 (e) If the Contractor is engaged indirect groundwater recharge, such activity  
929 shall be described in the Contractor's water conservation plan. Such Water Conservation Plan  
930 shall demonstrate sufficient lawful uses exist in the Contractor's Service Area so that using a  
931 long-term average, the quantity of Delivered Water is demonstrated to be reasonable for such  
932 uses and in compliance with Federal Reclamation Law.

933 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

934 27. Except as specifically provided in Article 17 of this Contract, the provisions of  
935 this Contract shall not be applicable to or affect non-Project water or water rights now owned or  
936 hereafter acquired by the Contractor or any user of such water within the Contractor's Service  
937 Area. Any such water shall not be considered Project Water under this Contract. In addition,  
938 this Contract shall not be construed as limiting or curtailing any rights which the Contractor or  
939 any water user within the Contractor's Service Area acquires or has available under any other  
940 contract pursuant to Federal Reclamation law.

941 28. Omitted.

942 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

943 29. The expenditure or advance of any money or the performance of any obligation of  
944 the United States under this Contract shall be contingent upon appropriation or allotment of  
945 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any  
946 obligations under this Contract. No liability shall accrue to the United States in case funds are  
947 not appropriated or allotted.

948 BOOKS, RECORDS, AND REPORTS

949 30. (a) The Contractor shall establish and maintain accounts and other books and  
950 records pertaining to administration of the terms and conditions of this Contract, including: the  
951 Contractor's financial transactions, water supply data, and Project land and right-of-way  
952 agreements; water use data; and other matters that the Contracting Officer may require. Reports  
953 thereon shall be furnished to the Contracting Officer in such form and on such date or dates as  
954 the Contracting Officer may require. Subject to applicable Federal laws and regulations, each  
955 party to this Contract shall have the right during office hours to examine and make copies of the  
956 other party's books and records relating to matters covered by this Contract.

957 (b) Notwithstanding the provisions of subdivision (a) of this Article, no  
958 books, records, or other information shall be requested from the Contractor by the Contracting  
959 Officer unless such books, records, or information are reasonably related to the administration or  
960 performance of this Contract. Any such request shall allow the Contractor a reasonable period of  
961 time within which to provide the requested books, records, or information.

962 (c) Omitted.

963 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

964 31. (a) The provisions of this Contract shall apply to and bind the successors and  
965 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest  
966 therein shall be valid until approved in writing by the Contracting Officer.

967 (b) The assignment of any right or interest in this Contract by either party  
968 shall not interfere with the rights or obligations of the other party to this Contract absent the  
969 written concurrence of said other party.

970 (c) The Contracting Officer shall not unreasonably condition or withhold

971 approval of any proposed assignment.

972 SEVERABILITY

973 32. In the event that a person or entity who is neither (i) a party to a Project contract,  
974 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor  
975 (iii) an association or other form of organization whose primary function is to represent parties to  
976 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or  
977 enforceability of a provision included in this Contract and said person, entity, association, or  
978 organization obtains a final court decision holding that such provision is legally invalid or  
979 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),  
980 the parties to this Contract shall use their best efforts to (i) within 30 days of the date of such  
981 final court decision identify by mutual agreement the provisions in this Contract which must be  
982 revised and (ii) within three months thereafter promptly agree on the appropriate revision(s).  
983 The time periods specified above may be extended by mutual agreement of the parties. Pending  
984 the completion of the actions designated above, to the extent it can do so without violating any  
985 applicable provisions of law, the United States shall continue to make the quantities of Project  
986 Water specified in this Contract available to the Contractor pursuant to the provisions of this  
987 Contract which were not found to be legally invalid or unenforceable in the final court decision.

988 RESOLUTION OF DISPUTES

989 33. Should any dispute arise concerning any provisions of this Contract, or the  
990 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to  
991 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting  
992 Officer referring any matter to Department of Justice, the party shall provide to the other party  
993 30 days' written notice of the intent to take such action; Provided, That such notice shall not be  
994 required where a delay in commencing an action would prejudice the interests of the party that  
995 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer

996 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,  
997 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the  
998 United States may have.

999 OFFICIALS NOT TO BENEFIT

1000 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the  
1001 Contractor shall benefit from this Contract other than as a water user or landowner in the same  
1002 manner as other water users or landowners.

1003 CHANGES IN CONTRACTOR'S SERVICE AREA

1004 35. (a) While this Contract is in effect, no change may be made in the  
1005 Contractor's Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger,  
1006 or otherwise, except upon the Contracting Officer's written consent.

1007 (b) Within 30 days of receipt of a request for such a change, the Contracting  
1008 Officer will notify the Contractor of any additional information required by the Contracting  
1009 Officer for processing said request, and both parties will meet to establish a mutually agreeable  
1010 schedule for timely completion of the process. Such process will analyze whether the proposed  
1011 change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract;  
1012 (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or  
1013 to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii)  
1014 have an impact on any Project Water rights applications, permits, or licenses. In addition, the  
1015 Contracting Officer shall comply with the NEPA and ESA. The Contractor will be responsible  
1016 for all costs incurred by the Contracting Officer in this process, and such costs will be paid in  
1017 accordance with Article 25 of this Contract.

1018 FEDERAL LAWS

1019 36. By entering into this Contract, the Contractor does not waive its rights to contest

1020 the validity or application in connection with the performance of the terms and conditions of this  
1021 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with  
1022 the terms and conditions of this Contract unless and until relief from application of such Federal  
1023 law or regulation to the implementing provision of the Contract is granted by a court of  
1024 competent jurisdiction.

1025 NOTICES

1026 37. Any notice, demand, or request authorized or required by this Contract shall be  
1027 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or  
1028 delivered to the Area Manager, Bureau of Reclamation, 7794 Folsom Dam Road, Folsom,  
1029 California 95630-1799, and on behalf of the United States, when mailed, postage prepaid, or  
1030 delivered to Chief, Water Resources Division, County of Sacramento, 827 Seventh Street, Room  
1031 301, Sacramento, California 95814. The designation of the addressee or the address may be  
1032 changed by notice given in the same manner as provided in this Article for other notices.

1033 CONFIRMATION OF CONTRACT

1034 38. The Contractor, after the execution of this Contract, shall furnish to the  
1035 Contracting Officer evidence that pursuant to the laws of the State of California, the Contractor  
1036 is a legally constituted entity and the contract is lawful, valid, and binding on the Contractor.  
1037 This Contract shall not be binding on the United States until such evidence has been provided to  
1038 the Contracting Officer's satisfaction.

1039 SUBCONTRACT FOR RESALE OF WATER

1040 39. The Contractor has entered into a subcontract with the Subcontractor, dated  
1041 April 25, 2000, for the resale and distribution of up to 7,000 acre-feet of water furnished  
1042 pursuant to this Contract. The subcontract is subject to the obligations and limitations imposed,  
1043 and to the rights granted by this Contract. Nothing herein or therein contained shall be deemed  
1044 in any way to release the Contractor from its primary liability to the United States hereunder  
1045 with respect to each and all of the obligations undertaken by the Contractor in this Contract. To  
1046 the maximum extent allowed by law, when any breach of, or failure to perform, this Contract by  
1047 the Contractor is due to the action or inaction solely of the Subcontractor and such breach or

1048 failure to perform results in denial or discontinuation of the delivery of Project Water, the  
1049 Contractor shall still be

1050 entitled to the benefits of this Contract if, and only if, the Contractor ceases deliveries of Project  
1051 Water to the Subcontractor until such time as the breach or failure to perform is cured.

1052 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day  
1053 and year first above written.

1054 THE UNITED STATES OF AMERICA

1055 By: \_\_\_\_\_  
1056 Regional Director, Mid-Pacific Region  
1057 Bureau of Reclamation

1058 | (SEAL)

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1059 SACRAMENTO COUNTY WATER  
1060 AGENCY

1061 By: \_\_\_\_\_  
1062 President of the Board of Directors

1063 | Attest:

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1064 By: \_\_\_\_\_  
1065 Secretary of the Board of Directors

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Contract No. 6-07-20-W1372-LTR1

EXHIBIT A

[Map or Description of Service Area]

EXHIBIT B  
2003 Water Rates and Charges

SACRAMENTO COUNTY WATER AGENCY

Note: Rates and Charges shown are 2003 rates. This exhibit will be updated prior to execution of the contract to reflect the current Rates and Charges.

	2003 Rates Per Acre-Foot <u>M&amp;I</u>
COST-OF-SERVICE (COS) RATE (1 <sup>st</sup> Tier - ≤80% of Contract Total)	\$17.20
2ND TIER [>80% <90% of Contract Total] (M&I Full Cost Rate + COS rate/ 2)	\$20.77
3RD TIER [> 90% of Contract Total] (M&I Full Cost Rate)	\$24.33
 M&I FULL COST RATE: Interest rates used in the calculation of the M&I Full Cost Rate shall comply with the Interest Rate methodology contained in Section 202 (3) (B) and (C) of the Reclamation Reform Act of October 12, 1982 (96 Stat. 1263), as amended:	
	\$24.33
 SURCHARGES UNDER P.L. 102-575 TO RESTORATION FUND* Restoration Payments [3407(d)(2)(A)]	
	\$15.38

\* The surcharges are payments in addition to the water rates and are determined pursuant to Title XXXIV of P.L. 102-575. Restoration Fund surcharges under P.L. 102-575 are on a fiscal year basis (10/1 -9/30).

Note: Additional detail of rate components is available on the Internet at <http://www.mp.usbr.gov/cvpwaterrates/>.